

of the original principal amount of the loan to reimburse the lender for the cost of originating and closing the transaction. Any additional charges shall be subject to the prior approval of the Commissioner.

**§ 232.522 Inspection fee.**

The commitment shall provide for the payment of an inspection fee in an amount not to exceed \$5.00 per thousand dollars of the commitment. The minimum inspection fee shall be \$50.00 paid prior to the date construction is begun: *Provided, however,* That in no case shall the combined total of the fees provided for in §§ 232.505, 232.510 of this section exceed one percent of the original principal face amount of the loan.

ELIGIBLE SECURITY INSTRUMENTS

**§ 232.525 Note and security form.**

The lender shall present for insurance a note and security instrument, if required, on forms approved by the Commissioner for use in the jurisdiction in which the property to be improved is located.

**§ 232.530 Disbursement of proceeds.**

At the time of endorsement for insurance of the note by the Commissioner, the entire principal amount of the note shall have been disbursed to the borrower or to his creditors for his account and with his consent.

**§ 232.535 Loan multiples—minimum principal.**

The loan shall involve a principal obligation in multiples of \$100, and the minimum principal obligation shall be \$10,000.

[40 FR 4908, Feb. 3, 1975]

**§ 232.540 Method of loan payment and amortization period.**

(a) *Monthly payments.* The loan shall provide for monthly payments on the first day of each month on account of interest and principal and shall provide for payment in accordance with the amortization plan as agreed upon by the borrower, the lender and the Commissioner.

(b) *Amortization period.* (1) The loan shall have an amortization of either 5,

10, or 15 years by providing for either 60, 120, or 180 monthly amortization payments. No fire safety loan shall have an amortization period in excess of 15 years unless the amount of the loan exceeds \$50,000.00, in which event the amortization period may be increased to 20 years, with a provision for 240 monthly amortization payments.

(2) In any event, the loan shall have a maturity satisfactory to the Commissioner of not less than 5 or more than 20 years from the date of the beginning of amortization or the Commissioner's estimate of the remaining economic life of the structure, whichever is the lesser.

(3) The Commissioner shall establish the date of the first payment to the principal.

**§ 232.545 Covenant against liens.**

(a) The security instrument shall contain a covenant against the creation by the borrower of additional liens against the property superior or inferior to the lien of such instrument, except with the prior approval of the Commissioner.

(b) The covenant required under paragraph (a) of this section shall not apply where a lien inferior to the lien of the insured mortgage is given in favor of a Federal, State or local governmental agency or instrumentality under such circumstances as may be approved by the Commissioner, provided the source of funds for repayment of the inferior lien is limited to surplus cash or residual receipts.

[36 FR 24641, Dec. 22, 1971, as amended at 48 FR 35393, Aug. 4, 1983; 49 FR 12215, Mar. 29, 1984]

**§ 232.550 Accumulation of next premium.**

The security instrument shall provide for payments by the borrower to the lender on each interest payment date of an amount sufficient to accumulate in the hands of the lender one payment period prior to its due date the next annual insurance premium payable by the lender to the Commissioner.

**§ 232.555 Security instrument and lien.**

The security instrument shall cover the entire property included in the

## **§ 232.560**

project, shall be a lien on the real property of the project under the laws of the jurisdiction in which the project is located, and may be junior to such prior liens or mortgages indebtedness as the Commissioner may approve. The Commissioner may from time to time require such other security, in lieu of, or in addition to, a lien on real property as he may prescribe.

### **§ 232.560 Interest rate.**

(a) The loan shall bear interest at the rate agreed upon by the lender and the borrower.

(b) Interest shall be payable in monthly installments on the principal amount of the loan outstanding on the due date of each installment.

[39 FR 28966, Aug. 12, 1974, as amended at 53 FR 3366, Feb. 5, 1988; 53 FR 8885, Mar. 18, 1988]

### **§ 232.565 Maximum loan amount.**

The principal amount of the loan shall not exceed the lower of the Commissioner's estimate of the cost of the fire safety equipment, including the cost of installation, or the amount supported by the residual income, which is the amount of net income remaining after payment of all existing debt service requirements and deduction of the proprietary earnings, as determined by the Commissioner. The cost of installation may include the cost of such other work to be performed on the project necessary to meet the requirements of the Secretary of Health and Human Services and the Commissioner to enhance the fire safety of the project, and such costs incidental to installation as may be approved by the Commissioner.

[40 FR 4908, Feb. 3, 1975]

### **§ 232.570 Endorsement of credit instrument.**

The Commissioner shall indicate his insurance of the loan by endorsing the credit instrument and identifying the section of the Act and regulations under which the loan is insured and the date of insurance, subject to the presentation and approval by him of the following:

(a) Certification of full disbursement of loan proceeds as provided for in § 232.530.

## **24 CFR Ch. II (4-1-04 Edition)**

(b) Certification of costs as required by § 232.610.

(c) Statement by the Secretary of Health and Human Services that the fire safety equipment noted in the determination required by § 232.620 has been satisfactorily installed.

### **§ 232.580 Application of payments.**

(a) The security instrument shall provide that all monthly payments to be made by the borrower shall be added together and this aggregate amount shall be paid by the borrower upon each monthly payment date in a single payment. The lender shall apply the payment to the following items in the order set forth:

(1) Premium charges under the contract of insurance;

(2) Interest on the loan;

(3) Amortization of the principal of the loan;

(b) Any deficiency in the amount of any monthly payments required under paragraph (a) of this section shall constitute an event of default and the loan shall further provide for a grace period of 30 days within which time the default must be cured.

### **§ 232.585 Prepayment privilege and prepayment charge.**

The security instrument shall contain a provision permitting prepayment of the loan in whole or in part upon any interest payment date after giving to the lender 30 days' advance written notice and it may contain a provision, with the approval of the Commissioner, for a reasonable charge in the event of prepayment.

### **§ 232.586 Minimum principal loan amount.**

A mortgagee may not require, as a condition of providing a loan secured by a mortgage insured under this subpart, that the principal amount of the mortgage exceed a minimum amount established by the mortgagee.

[53 FR 8885, Mar. 18, 1988]

## **PROPERTY REQUIREMENTS**

### **§ 232.590 Eligibility of property.**

(a) A loan to be eligible for insurance shall be on real estate held:

(1) In fee simple; or